We connect Canada and the World through people and technology

Nous relions le Canada et le monde grâce aux gens et à la technologie
Air Canada’s public communications may include forward-looking statements within the meaning of applicable securities laws. Such statements may be included in this presentation and may be included in other communications, including filings with regulatory authorities and securities regulators. Forward-looking statements may be based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to strategies, expectations, planned operations or future actions. Forward-looking statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, “would”, and similar terms and phrases, including references to assumptions.

Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, industry, market, credit and economic conditions, the ability to reduce operating costs and secure financing, energy prices, currency exchange and interest rates, employee and labour relations, competition, pension issues, war, terrorist acts, epidemic diseases, environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), insurance issues and costs, changes in demand due to the seasonal nature of the business, supply issues, changes in laws, regulatory developments or proceedings, pending and future litigation and actions by third parties as well as the factors identified throughout Air Canada’s public disclosure file available at www.sedar.com, including section 18, Risk Factors, of Air Canada’s 2013 Management’s Discussion and Analysis of Results of Operations and Financial Condition dated February 12, 2014.

Any forward-looking statements contained in this presentation represent Air Canada’s expectations as of the date of this presentation (or as of the date they are otherwise stated to be made) and are subject to change after such date. However, Air Canada disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.
Air Canada is...

...among the 20 largest airlines in the world

...the only international carrier in North America to receive a four-star ranking by Skytrax

...the best airline in North America – 5 years running

...a founding member of Star Alliance

...one of Canada's top 100 employers – 2 years running
**Air Canada’s Competitive Advantages**

- Widely-recognized and respected brand - 77 years of experience
- Largest provider of scheduled passenger services in Canada
- Extensive and expanding global network enhanced by Star Alliance membership, codeshare and joint venture agreements
- Optimal fleet for network flexibility, including Boeing 777s and 787s
- Air Canada rouge with its lower cost structure
- Industry-leading products and services, including Maple Leaf lounges and concierge program
- Strong airport infrastructure – Toronto, Montreal, Vancouver and Calgary
- World-class loyalty program – Air Canada Altitude / Aeroplan partnership
- Numerous bilateral air agreements with other countries
Air Canada has leading share in all markets

- **Domestic** accounts for **38%** of passenger revenue
- **Transborder** accounts for **20%** of passenger revenue
- **International** accounts for **42%** of passenger revenue

- **Source:** OAG data, based on full year 2013 available seat miles (ASMs)
- **AC Revenue Split based on 2013 full year revenues**
GROWTH DIRECTED AT INTERNATIONAL MARKETS AND AT LOWER UNIT COSTS

182 direct destinations:
- 60 in Canada
- 49 in the U.S.
- 73 internationally

Among the 20 largest airlines in the world
- ~360 aircraft
- ~1,500 daily flights
- ~36M passengers carried

Powerful Global Network
A ++ Partnership with UAL and LHA delivers tangible benefits to Air Canada

- Global market presence leveraging each carriers’ strengths in their home markets
- Coordinated approach to pricing, inventory management and capacity in this market segment
- Access to corporate contracts in all markets where offered by A++ partners
- Results have been impressive:
  - Increased U.S. sixth freedom traffic and revenue
  - Growth in all POS U.S. sales channels
  - Increased corporate revenue on all services
  - Growth in LHA/UAL traffic on Air Canada’s Atlantic services
  - Improved average fares for local and behind/beyond traffic

- 27 Members
- 192 Countries Served
- 1,316 Airports
- >18,500 Daily Departures
- >618M Passengers/year
- >4,450 Aircraft
- >1,000 Lounges
Focused on Four Core Priorities

- Revenue Enhancement and Cost Transformation
- International Growth
- Customer Engagement
- Culture Change
**Revenue and Cost Initiatives**

Fleet changes provide flexibility and lower Air Canada's overall cost structure and improve revenue.

Air Canada rouge allows Air Canada to enhance margins on leisure routes.

New class of service (Premium Economy Class) on mainline and rouge fleets allows for higher average economy cabin fares.

Optimizing revenue stream through new technology, product offering and segmentation.
## BUILDING A FLEET FOR THE FUTURE

<table>
<thead>
<tr>
<th></th>
<th>Actual at</th>
<th></th>
<th>Planned Fleet</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mainline</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boeing 787-8</td>
<td>-</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Boeing 787-9</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Boeing 777-300</td>
<td>16</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Boeing 777-200</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Boeing 767-300</td>
<td>27</td>
<td>21</td>
<td>17</td>
</tr>
<tr>
<td>Airbus A330-300</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Airbus A321</td>
<td>10</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Airbus A320</td>
<td>41</td>
<td>41</td>
<td>43</td>
</tr>
<tr>
<td>Airbus A319</td>
<td>30</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>EMBRAER 190</td>
<td>45</td>
<td>45</td>
<td>37</td>
</tr>
<tr>
<td><strong>Total Mainline</strong></td>
<td>183</td>
<td>172</td>
<td>170</td>
</tr>
<tr>
<td><strong>Air Canada rouge</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boeing 767-300</td>
<td>2</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Airbus A319</td>
<td>8</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total Air Canada rouge</strong></td>
<td><strong>10</strong></td>
<td><strong>28</strong></td>
<td><strong>32</strong></td>
</tr>
<tr>
<td><strong>Combined total fleet</strong></td>
<td><strong>193</strong></td>
<td><strong>200</strong></td>
<td><strong>202</strong></td>
</tr>
</tbody>
</table>
**Higher-Density Boeing 777s and 787s Provide Significant Cost Advantages**

- Five higher-density Boeing 777s operate high-volume, leisure-oriented international routes at a 20% lower CASM than the 349-seat Boeing 777s in the mainline fleet.
- Three-cabin international product and seating standard will be offered on all Boeing 777 aircraft consistent with seating on new Boeing 787 Dreamliner fleet.
- Boeing 787 Dreamliner allows for an estimated fuel and maintenance CASM reduction of 29% versus Boeing 767 aircraft.
- Boeing 787 aircraft will operate existing Boeing 767 routes and will be used to pursue international growth opportunities.
Boeing 737 MAX to Replace Mainline Narrowbodies

- Firm orders for 33 – 737 MAX 8 and 28 - 737 MAX 9 aircraft, options for 18 aircraft and rights to purchase an additional 30 – deliveries are scheduled to begin in 2017
- Estimated CASM reduction of 10% when compared to the airline's existing narrowbody fleet
- The 737 MAX incorporates the latest engine technology to deliver high efficiency, reliability and passenger comfort in the single-aisle market
Air Canada rouge is designed to position Air Canada profitably in the leisure market

- Air Canada rouge is enhancing margins in leisure markets and pursuing opportunities in international leisure markets made viable by its lower cost structure.

- Air Canada rouge offers significantly lower seat cost than mainline – Airbus A319 and Boeing 767 CASM reduction of 23% and 30% vs. mainline, respectively.

- Since launch in July 2013, Air Canada has deployed its leisure carrier to a growing number of Caribbean, European and select leisure destinations in the U.S.

- Additions for summer 2015 include Montreal-Venice and Vancouver-Osaka and transfer from mainline of Toronto-Lima route.

- New collective agreement with ACPA facilitates the evolution of Air Canada rouge into a stronger leisure carrier with improved fleet renewal flexibility and terms.
IMPROVING PREMIUM REVENUES WITH NEW PREMIUM ECONOMY CLASS

- New class of service on both mainline and rouge fleets
- Provides more seating pitch and width than economy class
- Segmented product aimed at higher-end customers seeking to improve comfort and travel experience
- Enhanced travel experience (priority check-in, baggage allowance, on-board meals, bar, etc.)
Air Canada Express fleet at 164, including Jazz fleet of 122 aircraft
- Replaced CRJ 100/200 with Q400s in western Canada optimizing short-haul operations with fuel efficiency, passenger comfort and lower operating costs than the aircraft they replace
- New collective agreement with ACPA provides Air Canada with increased flexibility with respect to regional airline capacity purchase agreements
- All 15 of Air Canada's smallest aircraft type, Embraer 175 aircraft, have been transferred to Sky Regional, a lower cost regional provider
- Air Georgian, a lower cost regional provider, now operates a number of additional regional routes, including U.S. transborder routes

Air Canada Express – An Important Part of N.A. Strategy

- CRJ (46) 50-75 seats
- Dash 8 (60)/Q-400 (26) 37-74 seats
- Embraer (15) 73 seats
- Beech (17) 18 seats

express provides feeder traffic to Air Canada's scheduled routes
OPPORTUNITIES FOR REVENUE GROWTH AND COST REDUCTION

- Growing ancillary revenues through various passenger-related fees, including baggage, paid upgrades, on-board offerings (meals, iPads, Wi-fi, etc), preferred seats and seat selection.
- Introduced $25 charge for first checked bag on domestic flights within Canada and to and from Caribbean. Fee applies on Tango fares and excludes Air Canada Vacation packages.
- Implementing new Revenue Management System (RMS) – expecting incremental annual revenues in excess of $100M beginning in 2015.
- Concluded an agreement with GTAA which, over time, should grow international traffic flows on a more cost effective basis.
- Implementing a ratio of one flight attendant for every 50 passenger seats on narrowbody mainline and rouge aircraft which, when fully transitioned, is expected to result in annual cost savings of $28M.
- Outsourced London ground handling operations to third party provider effective May 1, 2014 – expected net annual savings of $10M.
ENGAGING CUSTOMERS

- Improved on-time performance and reliability
- Streamlined boarding process
- Improved international connections through major hubs – streamlined in-transit process
- Improved on-board offerings and consistency of service especially on long-haul international flights
- Launched enhanced Preferred Seats program
- Opened new Maple Leaf Lounge at London Heathrow’s new T2 – 21 lounges worldwide
**Awards & Recognition**

**Best Airline in North America**
- Skytrax World Airline Awards - 2014
- Global Traveler Magazine – 2013
- TTG Asia Travel Awards – 2014
  - 5th consecutive year

**Best North American Airline for Int’l Travel**
- Business Traveler Magazine
- Premier Travel Magazine – 2013
  - 6th consecutive year
  - 2nd consecutive year

**Best Flight Experience to Canada**
- Executive Travel Magazine - 2013
  - 6th consecutive year

**Best Long-Haul Airline (Americas)**
- AirlineRatings.com - 2014

**Best North American Airline Inflight Experience**
- Business Traveler Magazine - 2013

**Best Flight Attendants in North American**
- Premier Travel Magazine - 2013
  - 5th consecutive year

**Canada’s Favourite Airline for Business Travel**
- Ipsos Reid
- Business Traveller Survey 2014
  - 2nd consecutive year

**Favourite Scheduled Airline**
- Baxter Travel Media
- Agents' Choice Award
  - 5th consecutive year

**Ranked the only International Four-Star Airline in North America**
- Skytrax Ranking - 2012

**One of Canada's Top Employers**
- Mediacorp's Top 100 Employers
- Project – 2015
  - 2nd consecutive year

**Gold Medal Employer – 2014**
**Silver Medal Employer - 2013**
- Canadian Occupational Safety Magazine
CULTURE CHANGE

- Promoting
  - Entrepreneurship
  - Engagement
  - Empowerment
  - Earnings for performance

- Cross-functional approach motivates employees

- Renewed focus on constructive and transparent dialogue

- Talent management and training

- Better understanding of competitive landscape

- Recent industry awards are proof that employees are participating in transformation

- Recognized as one of “Canada’s Top 100 Employers” in Mediacorp Canada Inc's annual national competition for 2nd consecutive year

- New 10-year agreement with ACPA provides greater stability and long-term cost certainty and is tangible indication of the shift in culture underway at Air Canada
LOOKING AHEAD
FOCUSED ON IMPROVING ROIC AND SUSTAINABLE PROFITABILITY

- **EBITDAR, adjusted net income and ROIC improvement**
  - Execute strategic initiatives
  - Lower cost structure
  - Targeted deployment of growth capital

- **Stronger balance sheet**
  - Lower risk profile
  - New financing arrangements

- **Create shareholder value**
  - Increase earnings and ROIC leading to a higher multiple and lower risk profile
While FX and fuel fluctuated since 2012, we are on track to achieve the strategic initiatives and related savings announced in June 2013 which would have driven a 15% CASM reduction over our 2012 baseline.
TARGETING ROIC TO EXCEED COST OF CAPITAL

- Increase return on invested capital ("ROIC") through strategic investments in aircraft and technology, revenue growth, lower CASM and debt reduction

- As at September 30, 2014, ROIC of 11.4%

- Return is calculated based on adjusted net income, excluding interest expense and implicit interest on operating leases

- Invested capital includes average Y-O-Y total assets, net of average Y-O-Y non-interest-bearing operating liabilities and the value of capitalized operating leases
Maintaining Strong Liquidity – Well above Target Minimum of $1.7B

- Refers to cash, short term investments and the amount of available credit under revolving credit facilities
MANAGING FINANCIAL LEVERAGE

Adjusted Net debt to EBITDAR ratio

- Reflects adjusted net debt to trailing 12-month normalized EBITDAR ratio

Target ceiling 3.5 times
CONCRETE ACTIONS TAKEN TO REDUCE PENSION DEFICIT AND MANAGE FUTURE RISK PROFILE

As at January 1, 2014, surplus in Canadian registered pension plans was $89M

Effective January 1, 2014, new employees participate in defined contribution plans versus historical defined benefit plans

Made changes to defined benefit pension plans which lowered the pension solvency deficit by close to $1B as of January 1, 2014

Concluded an agreement with the Government of Canada on extending special pension funding arrangement to December 31, 2020
OUR INVESTMENT PROPOSITION

✓ Strong brand, extensive and powerful network and award-winning products and services
✓ Investing in fleet and products for the future
✓ Leveraging opportunities for revenue growth
✓ Unrelenting on costs and creatively responding to competition
✓ Strong financial performance
✓ Engaged employees and results-driven management team
✓ On track to execute strategy and well-positioned for earnings growth
Thank You